

PUBLIC DISCLOSURE

JANUARY 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

POLISH NATIONAL CREDIT UNION

66597

46 MAIN STREET
CHICOPEE, MA 01020

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **POLISH NATIONAL CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JANUARY 8, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING

Polish National Credit Union's CRA performance is rated "Satisfactory". This rating is based upon the credit union's reasonable performance under the Lending Test criterion of the CRA Large Institution Examination Procedures and its average performance under the Service Test of these procedures. Polish National Credit Union's Community Development Lending was not evaluated due to regulatory restrictions imposed upon the credit union. Similarly, no rating for the Investment Test was ascribed.

LENDING AND SERVICE TEST TABLE

PERFORMANCE TESTS Polish National Credit Union		
Performance Levels	Lending Test*	Service Test
Outstanding		
High Satisfactory		
Satisfactory	X	X
Needs to Improve		
Substantial Non-Compliance		

*Note: The Lending Test is weighed more heavily than the Service Test when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Polish National Credit Union is a community credit union incorporated in 1921. Since the credit union's total assets have exceeded \$250 million for two consecutive calendar years, (2001 and 2002), Polish National Credit Union is now considered to be a large institution under the CRA regulation. Consequently, this Public Evaluation reflects Polish National Credit Union performance as a large institution.

Polish National Credit Union's main office is located at 46 Main Street in Chicopee and operates two other full-service branch offices located at 244 Exchange Street in Chicopee and 34 West State Street in Granby.

As of September 30, 2002, Polish National Credit Union had total assets of \$306 million with total loans representing \$115 million or 37.6 percent of total assets. The following table depicts Polish National Credit Union's loan portfolio composition based on its September 2002 NCUA 5300 Report.

Polish National Credit Union's Loan Portfolio as of September 30, 2002	
Type of Loans	% of Total Loans
Construction & Land Development	0.0
Residential Real Estate	
a. 1-4 Family Mortgages	83.7
b. Home Equity Lines (includes second mortgages)	10.4
Consumer Loans	
a. Credit Cards & Related Plans	0.0
b. Loans to Individuals/Other Loans	0.6
c. Vehicle Loans	5.3
Total Loans	100.0

Source: NCUA 5300 Report, 09/30/02

First mortgage loans and Home Equity Lines of Credit represent the majority (94.1 percent) of the credit union's loan portfolio. The second largest segment of the loan portfolio is the credit union's consumer loan products, which represents 5.9 percent of the portfolio.

There appears to be no legal or regulatory impediments that would effect the credit union in meeting the needs of its community. The Division of Banks conducted the previous Community Reinvestment Act (CRA) evaluation as of March 9, 1999. That examination resulted in a "Satisfactory" rating.

Parity Powers

In July 2001 and June 2002, Polish National Credit Union applied for and received approval from the Division of Banks to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. Those parity powers that may impact the credit union's CRA performance are as follows:

- Increase the term of personal loans to a maximum of 12 years;
- Allow 100% automobile financing up to \$40,000 for a maximum of 12 years;
- Increase the maximum home improvement loan to \$40,000 for a maximum of 20 years;
- Increase the maximum on residential first mortgage loans to \$275,000;
- Increase the LTV on certain mortgage products up to 95%;
- Allow the purchase and sale of loan portfolios; and
- Allow for 100% indirect automobile financing up to \$40,000 for a maximum of 12 years.

Description of Assessment Area

The following table reflects Polish National Credit Union's assessment area by county. Also included in the table are the HUD estimated Median Family Incomes (2000, 2001, and 2002) for the Springfield Metropolitan Statistical Area (MSA).

Assessment Area by Metropolitan Statistical Area (MSA) and by County	
Springfield MSA	
Hampden County	Hampshire County

Agawam, Chicopee, Holyoke, Longmeadow, Ludlow, Southwick, Springfield, Westfield, and West Springfield.		Amherst, Belchertown, Bondsville, Granby, South Amherst, and South Hadley.
Median Family Incomes (\$)		
2000	2001	2002
47,500	49,700	50,700

Polish National Credit Union's assessment area contains ninety-one census tracts. Of those tracts, thirteen are low-income, fourteen are moderate-income, forty-seven are middle-income, fourteen are upper-income, and three have no income designation.

Of the three non-income designated census tracts, one is located in the City of Springfield, one in the Town of Amherst, and the other is located in the City of Chicopee. The Springfield census tract is located in the downtown section of the city and is a concentration of office buildings and the Springfield YMCA. The Amherst census tract is the site of Hampshire College's campus. The Chicopee census tract is the site of the Westover Air Force Base. Consequently, the US Census Bureau assigned no income designation to these three census tracts.

The following table reflects selected housing characteristics, based upon 1990 census data, for each of the census tract income groupings in Polish National Credit Union's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	14.3	10.4	10.7	2.2	21.4	17.7	87,708
Moderate	15.4	14.2	14.4	8.5	21.9	19.0	97,163
Middle	51.6	60.2	59.9	67.1	51.0	52.6	118,500
Upper	15.4	15.2	15.0	22.2	5.7	10.7	161,534
NA	3.3	--	--	--	--	--	--
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	118,552

Source: U.S. Census

Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for HMDA reportable lending performance purposes only, constitutes 295 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the credit union's assessment area (source: PCI Services, Inc., CRA Wiz). The total number of originations/purchases

received by these lenders in calendar year 2000 was 11,355. The top five lenders (in descending order) within Polish National Credit Union's assessment area in 2000 were: Sovereign Bank, 1,188 loans/10.5 percent share; Fleet National Bank, 766 loans/6.8 percent share; First Massachusetts Bank, NA, 639 loans/5.6 percent share; Countrywide Home Loans, 512 loans/4.5 percent share; and Peoples Savings Bank, 370 loans/3.3 percent share. Polish National Credit Union ranked 19th with 115 loans and a 1.0 percent share.

In 2001, the credit union's market share declined primarily due to an increase to 313 in the number of lenders included in the aggregate data. The total number of originations/purchases received by the aggregate lenders in calendar year 2001 was 16,766. The top five lenders (in descending order) within Polish National Credit Union's assessment area in 2001 were: Fleet National Bank, 1,098 loans/6.6 percent share; First Massachusetts Bank, NA, 962 loans/5.7 percent share; Charter One Bank, 824 loans/4.9 percent share; Wells Fargo Home Mortgage, 814 loans/4.9 percent share, and Countrywide Home Loans, 812 loans/4.8 percent share. Polish National Credit Union ranked 23rd with 182 loans and a 1.1 percent share.

In addition, another peer group analysis was conducted wherein the 2000 and 2001 aggregate data was adjusted to reflect only NCUA insured credit unions, thus filtering out the large and small mortgage companies, national banks, and FDIC insured lenders, within the credit union's assessment area. This adjustment was performed to more accurately reflect Polish National Credit Union's competition of similarly regulated credit unions within its assessment area. Polish National Credit Union ranked number one with 115 loans for a 22.8 percent market share in the 2000 adjusted aggregate of 25 credit unions. In 2001, Polish National Credit Union ranked second with 182 loans for a 19.9 percent market share in the adjusted aggregate of 35 credit unions. Western Massachusetts Telephone Workers' Credit Union was ranked number one in that year with 226 loans for a 24.7 percent market share.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the six major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending Policies and Practices. In addition, other loan data involving a sampling of the credit union's consumer lending was also evaluated. The following information details the data compiled and reviewed, as well as conclusions on the credit union.

I. Lending Activity

This criterion evaluates the number and dollar volume of loans originated or purchased within the assessment area. The credit union's credit products evaluated for this criterion and the two subsequent lending test criteria are: (1) residential loans that are considered to be HMDA-reportable loans and (2) a sample of consumer loans based upon an internally generated report. HMDA-reportable loans are defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. For the purposes herein, the period under review for HMDA reportable lending constitutes calendar years 2000, 2001, and 2002.

For the consumer loan sample, the Division of Banks utilized internally generated reports also for calendar years 2000, 2001, and 2002 for new and used automobile loans.

One barometer that is utilized in measuring financial institutions lending activity is an analysis of its total loan to total deposit ratio.

An analysis of Polish National Credit Union's total loan to total deposit ratios was performed. The calculation incorporated eight quarters of the credit union's total loan to total deposit figures as reflected in its quarterly NCUA 5300 Reports. The quarters reviewed included the periods from December 2000 through September 2002. The credit union's loan to deposit ratio, on average, was 47.4 percent. This ratio has fluctuated from a low of 43.2 percent in September 2002, to a high of 52.0 percent in December 2000.

The following illustrates Polish National Credit Union's total loan to deposit trends.

Polish National Credit Union's Loan to Deposit Ratios*			
Dates	Net Loans \$ (000)	Total Deposits \$ (000)	Ratio (%)
December 31, 2000	111,376	214,044	52.0
March 31, 2001	110,816	222,180	50.0
June 30, 2001	110,428	227,500	48.5
September 30, 2001	112,070	232,884	48.1
December 31, 2001	111,336	237,342	46.9
March 31, 2002	111,622	245,955	45.4
June 30, 2002	115,079	254,112	45.3
September 30, 2002	114,918	266,142	43.2

* Source: NCUA 5300 Reports.

Over the period reflected in the table, Polish National Credit Union's total loan portfolio increased by a nominal 3.2 percent while deposits grew by a substantial 24.3 percent. From September 30, 2001 through September 30, 2002, the credit union's loan portfolio increased by only 2.5 percent, while deposits grew by 14.3 percent.

Although the growth in lending appears nominal, the credit union experienced strong mortgage lending volume in the refinancing arena. In 2000, 20.4 percent of the credit

union's HMDA reportable lending in its assessment area were refinances. In 2001, that percentage increased to 34.6 percent. In 2002, of the 268 HMDA reportable loans originated, 56.7 percent were refinances. Therefore, although underwriting volume is present, the credit union's loan portfolio balances only reflect the levels of refinancing during the period reviewed.

Cognizant of this fact management has recently hired an outside originator in the hopes of increasing purchase money mortgages. Also, management is working to cultivate stronger relationships with area automobile dealers that have the Credit Union Direct Lending program software at their dealerships.

The significant increase in deposit balances can be attributed to the migration of monies from the stock market coupled with the slightly more favorable rates being offered by the credit union. Mindful of this issue, management monitors its retail savings rates on ongoing basis as well as tracks local area competitor's rates for comparisons.

Comparisons of Polish National Credit Union's net loan to total deposit ratio to that of local competitors was also performed. As of September 30, 2002, (latest comparative information available) Polish National Credit Union had total assets of \$306 million and a net to total deposit ratio of 43.2 percent. The net loan to total deposit ratios of area credit unions is reflected in the following table. Those institutions chosen for this analysis have a main office or branch location in the credit union's assessment area. The data presented is as of September 30, 2002. As the table indicates, out of a field of 7 credit unions within the assessment area, Polish National Credit Union ranks 6th with a 43.2 percent loan to deposit ratio.

COMPARATIVE LOAN TO DEPOSIT RATIOS*		
Institution	Total Assets \$ (000)	Loan to Deposit Ratios (%)
Holyoke Credit Union	60,013	81.7
Aldenville Credit Union	81,126	79.3
Western Massachusetts Telephone Workers' Credit Union	239,813	72.5
Springfield Massachusetts Municipal Employees Credit Union	58,145	60.5
Springfield Teachers Credit Union	89,820	47.5
Polish National Credit Union	305,625	43.2
Chicopee Municipal Employees Credit Union	38,322	22.9

As of September 30, 2002.

Lending Within the Assessment Area

Another performance indicator that is utilized in measuring financial institutions lending activity is an analysis of lending extended both inside and outside of the institution's assessment area.

HMDA Reportable Loans

An analysis of HMDA reportable lending extended both inside and outside Polish National Credit Union's assessment area was also performed. For the period reviewed, The City of Chicopee received the largest number and dollar volume of HMDA reportable lending with 217 loans totaling \$13,835,000. This represents 38.9 percent of the number and 33.1 percent of the dollar volume of the credit union's total lending. The second largest number of HMDA reportable lending went to the City of Springfield with 59 loans or 10.6 percent. The second largest dollar volume of HMDA reportable lending went to the Town of Granby with \$4,239,000 in loans or 10.1 percent. Furthermore, no concentration of HMDA reportable lending to a community outside of the credit union's assessment area was noted as a result of this analysis. Refer to the following.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2000	108	86.4	7,516	82.4	17	13.6	1,609	17.6	125	100	9,125	100
2001	182	86.3	11,335	81.6	29	13.7	2,552	18.4	211	100	13,887	100
2002	268	82.7	22,997	81.5	56	17.3	5,216	18.5	324	100	28,213	100
Total	558	84.5	41,848	81.7	102	15.5	9,377	18.3	660	100	51,225	100

Source: HMDA LAR, CRA Wiz

As indicated, Polish National Credit Union has maintained a strong level of lending, both by number and by dollar volume, within its assessment area. During the period examined, the credit union has made 84.5 percent of the number and 81.7 percent of the dollar amount of residential loans within its assessment area. This has occurred despite the steady growth in the number and dollar volume (overall) of originations granted by the credit union. For the period reflected in the table, the total number of originations grew by 159 percent, while the dollar volume grew by 209 percent.

In conclusion, although Polish National Credit Union's loan to deposit ratio is considered somewhat low, its HMDA reportable lending volume was significant during the period reviewed as was its lending inside its assessment area. Therefore, the credit union's overall lending activity is considered to be reasonable.

Consumer Lending

During the period reviewed, Polish National Credit Union granted a combined total of 1,042 new/used auto loans totaling \$12.3 million. It should be noted that, during the period reviewed, the institution experienced a sizeable decline in both the number and dollar volume of auto loans granted. In 2000, Polish National Credit Union granted 442 auto loans totaling \$5.5 million and in 2001 it originated 342 new/used auto loans totaling \$4.0 million. Lastly in 2002, auto originations declined to 258 loans for an aggregate of \$2.7 million. In 2002 the introduction of zero percent financing programs by auto manufacturers has played a significant role in the distribution of credit among dealerships and other lenders.

The following details the credit union's auto lending activity by number and dollar volume inside and outside the assessment area.

Distribution of Consumer Lending Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2000	347	78.5	4,227	76.6	95	21.5	1,294	23.4	442	100	5,521	100
2001	259	75.7	3,001	74.1	83	24.3	1,048	25.9	342	100	4,049	100
2002*	222	86.0	2,243	81.8	36	14.0	499	18.2	258	100	2,741	100
Total	828	79.5	9,471	76.9	214	20.5	2,841	23.1	1,042	100	12,311	100

Source: Consumer loan file sample.

As indicated above, Polish National Credit Union originated the majority of auto loans or 79.5 percent of the number of loans and 76.9 percent of the dollar amount of loans inside the assessment area. Consequently, the credit union's new/used auto loan activity is considered above average.

II. Geographic Distribution

This criterion evaluates the institution's lending performance to the low, moderate, middle, and upper-income census tracts within its assessment area.

Distribution of HMDA Reportable Loans within the Assessment Area

An analysis of HMDA reportable lending extended in the various census tracts contained within Polish National Credit Union's assessment area was conducted. The following table presents the credit union's performance as well as the 2000 and 2001 aggregate data (exclusive of Polish National Credit Union) of HMDA reportable lending by percentage.

To reiterate, Polish National Credit Union's assessment area contains ninety-one census tracts. Of those tracts, 14.3 percent are low-income, 15.4 percent are moderate-income, 51.6 percent are middle-income, 15.4 percent are upper-income, and 3.3 percent have no income designation. In addition, 1990 demographic data for the credit union's assessment area indicated that 2.2 percent of the owner-occupied housing was in the low-income census tracts, 8.5 percent was in the moderate-income tracts, 67.1 percent was in the middle tracts, and 22.2 percent was in the upper-income census tracts.

Refer to the following.

Distribution of HMDA Loans by Income Category of the Census Tract										
Census Tracts	2000 Agg. Data (% of #)	2000		2001 Agg. Data (% of #)	2001		2002*		Total	
		#	%		#	%	#	%	#	%
Low	4.3	0	0.0	2.8	0	0.0	1	0.4	1	0.2
Moderate	10.7	2	1.9	8.5	6	3.3	7	2.6	15	2.7
Middle	66.7	66	61.1	66.1	125	68.7	182	67.9	373	66.8
Upper	18.3	40	37.0	22.6	51	28.0	78	29.1	169	30.3
Total	100	108	100	100	182	100	268	100	558	100

Source: HMDA LAR, HMDA Aggregate Data

As indicated in the table, Polish National Credit Union's percentage of lending to low and moderate-income census tracts is well below that of aggregate in both 2000 and 2001. In 2002, the level of lending to the low-income census tracts improved minimally however, the percentage of lending to the moderate-income tracts declined somewhat primarily due to the increase in volume.

By dollar volume in 2000, the credit union originated 1.3 percent of its HMDA reportable loans to the moderate-income census tracts, well below the 2000 aggregate data by dollar volume of 8.8 percent to those tracts.

By dollar volume in 2001, the credit union originated 4.5 percent of its HMDA reportable lending to the moderate-income census tracts which was also well below the 2001 aggregate data by dollar volume of 10.8 percent to those tracts.

Calendar year 2002 HMDA reportable lending by dollar volume was 0.2 percent to the low-income census tracts and 1.5 percent to the moderate-income tracts.

As indicated in the Performance Context of this Public Evaluation, Polish National Credit Union's assessment area contains thirteen low-income census tracts. Those census tracts are located in Springfield (8), Holyoke (4), and Amherst (1), none in which the credit union has a physical presence. As of the 1990 census, there were only 11.0 percent of owner-occupied housing units available in these census tracts compared to 87.2 percent of rental units available.

Additionally, there were 17,374 total households in these low-income census tracts, 7,220 or 41.6 percent were considered to be below poverty level, and thus, unlikely to qualify for a HMDA reportable loan. The lack of available housing in the low tracts is further illustrated by the low percentage of lending penetration to these census tracts by the aggregate.

Also discussed in the Performance Context, the credit union's assessment area contains 14 moderate-income census tracts. Those census tracts are located in Springfield (8), Chicopee (2), Holyoke (1), West Springfield (1), Westfield (1), and Amherst (1). The credit union has two office locations in Chicopee and seven out of the fifteen loans or 46.7 percent of the overall lending to the moderate-income census tracts went to those tracts located in Chicopee. As of the 1990 census, there were 31.9 percent of owner-occupied housing units available in these census tracts compared to 66.0 percent of rental units available.

Further, the following reflects an analysis comparing Polish National Credit Union's performance to that of the adjusted aggregate's performance.

Distribution of HMDA Loans by Income Category of the Census Tract										
Census Tracts	Adjusted Agg. Data (% of #) 2000	2000		Adjusted Agg. Data (% of #) 2001	2001		2002*		Total	
		#	%		#	%	#	%	#	%
Low	1.0	0	0.0	1.8	0	0.0	1	0.4	1	0.2
Moderate	2.8	2	1.9	2.9	6	3.3	7	2.6	15	2.7
Middle	77.9	66	61.1	67.1	125	68.7	182	67.9	373	66.8
Upper	18.3	40	37.0	28.2	51	28.0	78	29.1	169	30.3
Total	100	108	100	100	182	100	268	100	558	100

Source: HMDA LAR, HMDA Aggregate Data

As indicated, the credit union's percentage of lending to the moderate-income tracts is below that of the adjusted aggregate in 2000 and slightly above the adjusted aggregate in 2001 in those census tracts.

In conclusion, given the demographics of Polish National Credit Union's low and moderate-income census tracts within its assessment area, the geographic distribution of its HMDA reportable lending is considered to be adequate

Distribution of Consumer lending within the Assessment Area

A sample of auto loans was also analyzed based on the geographic location of the borrowers. Refer to the following.

Distribution of Consumer Loans by Income Category of the Census Tract								
Census Tract	2000		2001		2002*		Total	
	#	%	#	%	#	%	#	%
Low	0	0.0	1	2.4	0	0.0	1	0.8
Moderate	3	8.1	2	4.9	3	7.4	8	6.7
Middle	25	67.6	26	63.5	27	65.8	78	65.5
Upper	9	24.3	11	26.8	11	26.8	31	26.2
NA	0	0.0	1	2.4	0	0.0	1	0.8
Total	37	100	41	100	41	100	119	100

Source: Consumer loan file sample.

In total, the credit union granted 0.8 percent of the sample to low-income borrowers and 6.7 percent to moderate-income borrowers. The geographic distribution by dollar volume closely paralleled the distribution by number and consequently, is not included in this discussion.

As previously discussed, Polish National Credit Union experienced a drop in consumer lending, overall. Cognizant of this fact management is working to cultivate stronger relationships with area automobile dealers that have the Credit Union Direct Lending program software at their dealerships.

Therefore, given this development, Polish National Credit Union's consumer lending penetration (by sample) is considered to be average.

III. Borrower Characteristics

The third lending criterion evaluates the extent to which an institution lends to borrowers of low, moderate, middle, and upper- income by number and dollar volume.

HMDA Reportable Lending

An analysis of HMDA reportable lending extended within Polish National Credit Union's assessment area among various income levels for the period under review was performed.

Originations were categorized by the ratio of the applicant's reported incomes to the 2000, 2001, and 2002 estimated median family incomes of the Springfield MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

Polish National Credit Union's assessment area contains 27.2* percent of households that are considered to be of low-income, 15.0 percent that are of moderate-income, 19.2 percent that are middle-income, and 38.6 percent that are upper-income.

The following analysis also includes 2000 and 2001 aggregate data (exclusive of Polish National Credit Union) of HMDA reportable lending by percentage

Refer to the following.

Distribution of HMDA Loans by Borrower Income										
Median Family Income Level	Agg. Data (% of #) 2000	2000		Agg. Data (% of #) 2001	2001		2002*		Total	
		#	%		#	%	#	%	#	%
Low	5.0	5	4.6	4.1	7	3.8	7	2.6	19	3.4
Moderate	19.8	17	15.7	17.3	28	15.4	37	13.8	82	14.7
Middle	24.4	38	35.2	25.4	53	29.1	77	28.7	168	30.1
Upper	29.8	48	44.5	38.1	93	51.1	147	54.9	288	51.6
NA	21.0	0	0.0	15.1	1	0.6	0	0.0	1	0.2
Total	100	108	100	100	182	100	268	100	558	100

Source: HMDA LAR, HMDA Aggregate Data

Included in the low-income category are 22,482 households within the credit union's assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a HMDA reportable loan. If that category were adjusted to reflect this fact, the number of low-income households within the credit union's assessment area would be decreased from 45,298 to 22,816 or from 27.2 percent to 15.8 percent.

It should be noted that those originations designated as not applicable loans are either:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is an employee; or
- The loan was purchased.

As indicated in the table, Polish National Credit Union's percentage of lending to low and moderate-income borrowers is below that of aggregate in both 2000 and 2001. In 2000, Polish National Credit Union made 4.6 percent of its HMDA-reportable loans to low-income borrowers, while the aggregate made 5.0 percent to this group. Similarly, the credit union made 15.7 percent of its loans to moderate-income borrowers in that year, versus 19.8 percent by the aggregate.

In 2001, the percentages declined somewhat although the disparity between Polish National Credit Union and the aggregate was somewhat minimized, with the credit union making 15.4 percent of its loans to moderate-income borrowers in comparison to the aggregate which made 17.3 percent. Year 2002 exhibited a similar declining trend in lending to borrowers of low and moderate income.

By dollar volume in 2000, the credit union originated 2.2 percent of its HMDA reportable lending to low-income borrowers and 14.1 percent to moderate-income borrowers slightly below the 2000 aggregate data by dollar volume of 2.8 percent to low-income borrowers and 15.2 percent to moderate-income borrowers.

By dollar volume in 2001, Polish National Credit Union originated 1.8 percent of its HMDA reportable lending to low-income borrowers and 11.1 percent to moderate-income borrowers falling more in line with the 2001 aggregate data by dollar volume of 2.0 percent to low-income borrowers and 11.1 percent to moderate-income borrowers.

Calendar year 2002 HMDA reportable lending by dollar volume was 1.4 percent to low-income borrowers and 9.1 percent to moderate-income borrowers.

Further, the following reflects an analysis comparing Polish National Credit Union's performance to that of the adjusted aggregate's performance.

Distribution of HMDA Loans by Borrower Income										
Median Family Income Level	Adjusted Agg. Data (% of #) 2000	2000		Adjusted Agg. Data (% of #) 2001	2001		2002*		Total	
		#	%		#	%	#	%	#	%
Low	4.9	5	4.6	2.7	7	3.8	7	2.6	19	3.4
Moderate	14.7	17	15.7	11.9	28	15.4	37	13.8	82	14.7
Middle	25.4	38	35.2	27.0	53	29.1	77	28.7	168	30.1
Upper	55.0	48	44.5	58.4	93	51.1	147	54.9	288	51.6
NA	0.0	0	0.0	0.0	1	0.6	0	0.0	1	0.2
Total	100	108	100	100	182	100	268	100	558	100

Source: HMDA LAR, HMDA Aggregate Data

As indicated, the credit union compares more favorably to the adjusted aggregate data. In 2000, the credit union was on a par with aggregate percentages to low-income borrowers, and exceeded aggregate in the moderate-income category, making 15.7 percent of its loans to moderate-income borrowers. In 2001, the credit union exceeded aggregate percentages for both the low and moderate-income borrowers, making 3.8 percent of its

loans to low-income borrowers in comparison to 2.7 percent by the aggregate and 15.4 percent to moderate-income borrowers in comparison to 11.9 percent by the aggregate.

Similarly, in 2000, the credit union originated 2.2 percent of its HMDA reportable lending by dollar volume to low-income borrowers while the adjusted aggregate was at 2.1 percent; and the credit union made 14.1 percent in dollar volume to moderate-income borrowers while adjusted aggregate data made a 10.1 percent penetration.

In 2001, Polish National Credit Union made 1.8 percent of its HMDA reportable lending by dollar volume to low-income borrowers while the adjusted aggregate made 1.3 percent. In 2001, the credit union had 11.1 percent in dollar volume to moderate-income borrowers while adjusted aggregate data had an 8.3 percent penetration.

Given the above, Polish National Credit Union's level of lending to borrowers of low and moderate-income is considered strong in comparison to the peer group of local credit unions.

Consumer Lending

The credit union's consumer (auto) lending inside its assessment area was analyzed based on the distribution of loans among all income categories of borrowers. The following table provides the borrowers' income distribution (by number) for the loans sampled.

Distribution of Consumer Loans by Borrower Income								
Median Family Income Level	2000		2001		2002*		Total	
	#	%	#	%	#	%	#	%
Low	7	18.9	3	7.3	11	26.8	21	17.6
Moderate	6	16.2	6	14.6	10	24.4	22	18.5
Middle	11	29.7	13	31.7	10	24.4	34	28.6
Upper	13	35.2	19	46.4	10	24.4	42	35.3
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	37	100	41	100	41	100	119	100

Source: Consumer loan file sample.

Based on the totals, the above analysis demonstrates that low and moderate-income borrowers combined received 36.1 percent of the number of loans granted; while the middle income borrowers received 28.6 percent. Overall, the above loan distribution is reasonably dispersed among all income groups, particularly low and moderate-income

applicants. The above analysis indicates that new/used auto loans, as credit products, serve a good cross-section of the credit union members.

Based on the dollar volume of loans, the lending distribution largely follows the same pattern as the above analysis. However the dollar volume to low and moderate-income debtors (24.1 percent of the dollars) represented less of the total dollars extended, while the dollar volume to upper income borrowers (45.9 percent) represented a greater portion of total dollars.

Therefore, the sample's analysis demonstrated a reasonable distribution of loans granted to applicants of all income levels, particularly low and moderate-income applicants.

IV. Community Development Lending

As defined in the revised CRA regulation, a community development purpose is: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. However, in order to qualify as a community development loan, the loan must not be reportable as a home mortgage or small business loan, unless it is for a multi-family dwelling (five or more units).

No community development loans were granted during the period reviewed. However, Polish National Credit Union's ability to be involved in community development lending is limited by restrictions imposed by Massachusetts General Laws, NCUA, and its by-laws.

V. Innovative or Flexible Lending Practices

This criterion evaluates an institution's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low or moderate-income individuals or geographies. An innovative practice is one that serves low and moderate-income creditworthy borrowers in new ways or serves groups of creditworthy borrowers not previously served by the institution. Both flexible and innovative practices are favorably considered. Although a practice ceases to be innovative if its use is widespread, it may receive consideration if it is a flexible underwriting practice.

Polish National Credit Union offers flexible loan programs aimed at meeting the credit needs of low and moderate-income individuals. These programs are discussed below.

As previously mentioned in the Performance Context of this Public Evaluation, Polish National Credit Union was granted various parity powers in the area of lending in 2001 and

2002. Because of the parity powers, the credit union can now offer up to 95 percent loan-to-value, a more flexible and competitive product than the previously allowed 90 percent loan-to-value. Also, parity now allows for the maximum residential mortgage to be up to \$275,000.

Internal Flexible Products

The credit union continues to offer first time homebuyers products that are essentially all mortgage products offered, both fixed and adjustable rate, for 1/8 of a percent lower than the current advertised rate. In 2000, the credit union originated 33 first time homebuyer loans totaling \$2,851,253. In 2001 the credit union granted 13 loans totaling \$1,310,150, and in 2002, originated 17 loans totaling \$1,817,330 to first time homebuyers.

Because of parity powers, Polish National Credit Union has increased its maximum home improvement loan product limit up to \$40,000 from the previous level of \$20,000 for a term of up to 20 years (up to 10 years currently offered) extended from the previously offered 7 year term. Additionally, the credit union offers a Home Equity Access Line of Credit that is tied to the Prime Rate for the life of the loan and features a 30-month rate lock at inception. The maximum amount offered is \$100,000 for a 15-year term.

Also newly offered by Polish National Credit Union under parity, is 100 percent automobile financing, with a maximum loan of \$40,000 and a maximum term of 12 years. In addition, the credit union now offers indirect lending through dealers who utilize a program developed by Credit Union Direct (CU Direct), a third party vendor. CU Direct links dealers with Polish National Credit Union via terminals located within the dealership. Dealers make a loan decision based upon the applicant(s) credit score in conjunction with Polish National Credit Union's underwriting standards. The credit union pays the dealer a minimum of \$100 to a maximum of \$300 (based on the cost of the vehicle) and a flat fee of \$42 to CU Direct per application.

MassHousing Municipal Mortgage Program

In 2002, Polish National Credit Union pledged \$10 million to the MassHousing Municipal Mortgage Program (MassHousing). MassHousing offers lenders mortgage insurance coverage that allows for mortgages to be written for 100 percent of value on a single family home or condominium; or 97 percent of value on a two to four-family property. These loans are offered to any full-time salaried employee of a city or town, buying a home in the city or town where they are employed. The combined household income of the employee cannot exceed 135 percent of the median income of the respective city or town. Eligible borrowers must show minimum cash savings of \$500 or 1 percent of sales price.

Lastly, on an ongoing basis Polish National Credit Union contacts local realtors, by e-mail, with a listing of current rates and products offered.

VI. Loss of Affordable Housing

This criterion evaluates whether or not a financial institution has engaged in systematic lending patterns resulting in the loss of affordable housing.

Based upon the analysis of Polish National Credit Union's lending activity, products, and fair lending practices, there is no evidence that the institution's lending patterns show any undue concentration or systematic pattern of lending resulting in the loss of affordable housing units.

VII. Fair Lending Policies and Practices

Polish National Credit Union has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101. The institution's loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA).

A Fair Lending review was conducted at this examination. This review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on the sample reviewed, no evidence of disparate treatment of applicants was noted.

Currently, the credit union has 36 full-time and 15 part-time employees. Among the institution's staff, there are 9 employees who are bilingual in Spanish, Polish, Russian, German, French, and Ukrainian.

Polish National Credit Union is a member of the Massachusetts Credit Union League, Inc and sends staff to attend seminars on appropriate issues.

Underwriting standards conform to secondary market guidelines with qualifying ratios of 28%/36% being used for both mortgage and consumer loan underwriting. The credit union allows flexibility in their underwriting ratios where compensating factors exists, subject to the approval of the Credit Committee and/or the Board of Directors

The credit union offers equity lines of credit with 15-year term and 80 percent and 70 percent loan- to-value maximums, depending on the loan amount requested. A 3-year adjustable rate second mortgage and a fixed rate home improvement loan are also offered with the same LTV maximums. The home improvement loan product offers a 10-year

maximum term and loan amount of \$40,000. The loan-to value of 80 percent is offered for home improvement loans and closed end equity loans where Polish National Credit Union holds the first mortgage or the debt is to be secured by a first mortgage.

The credit union's consumer loan product offerings include new and used auto loans with maximum loan amounts of \$40,000, personal loans with a maximum loan amount of \$1,500, and savings or certificate secured time loans.

The credit union maintains a second review process for those loans slated for denial. Mortgage applications with compensating factors, whose denial is not clear-cut, are submitted to the Credit Committee for second review/approval.

Minority Application Flow

Polish National Credit Union's assessment area contains 460,562 individuals, 88,096 or 19.1 percent of whom are minorities. As of the 1990 census, the credit union's assessment area minority population was 0.1 percent Native American, 1.4 percent Asian, 7.4 percent Black, 10.0 percent Hispanic, and 0.2 percent Other.

As previously discussed, Polish National Credit Union has a physical presence in the City of Chicopee and the Town of Granby. As of the 1990 census, the minority population in those two communities were 0.1 percent Native American, 0.5 percent Asian, 1.7 percent Black, 3.4 percent Hispanic, and 0.1 percent Other.

For the period reviewed, the credit union received a total of 9 HMDA reportable applications from various minority groups, representing 1.4 percent of all applications received from within its assessment area. The 2000 HMDA aggregate data indicated 16.1 percent of all the residential applications from within the assessment area were to minority applicants. The 2001 HMDA aggregate data reflects 13.8 percent of all the residential applications were to minority applicants.

Refer to the following.

Minority Application Flow										
RACE	Agg. Data (% of #) 2000	2000		Agg. Data (% of #) 2001	2001		2002*		Total	
		#	%		#	%	#	%	#	%
Native American	0.2	0	0.0	0.2	0	0.0	0	0.0	0	0.0
Asian	1.1	0	0.0	1.0	0	0.0	1	0.3	1	0.2
Black	6.5	0	0.0	4.5	2	1.0	3	1.0	5	0.7
Hispanic	7.7	2	1.6	6.3	0	0.0	0	0.0	2	0.3
Joint Race	0.0	0	0.0	1.2	0	0.0	1	0.3	1	0.2

Other	0.6	0	0.0	0.6	0	0.0	0	0.0	0	0.0
Total Minority	16.1	2	1.6	13.8	2	1.0	5	1.6	9	1.4
White	46.6	118	96.0	54.0	193	92.8	292	94.8	603	94.4
NA	37.3	3	2.4	32.2	13	6.2	11	3.6	27	4.2
Total	100	123	100	100	208	100	308	100	639	100

Source: HMDA LAR, HMDA Aggregate Data

As indicated in the table, the credit union's minority application rate, by percentage, is well below aggregate in each of the racial categories. It should be noted however, that in 2000, the aggregate represented 295 lenders, and in 2001 represented 313 lenders. Some of these lenders are large mortgage companies and financial institutions with substantial branch networks. In addition, these branches and, in some instances main offices, are located in cities such as Holyoke, Springfield, and Westfield that had large minority populations, as of the 1990 census.

Further, the following reflects an analysis comparing Polish National Credit Union's performance to that of the adjusted aggregate's performance.

Minority Application Flow										
RACE	Adjusted Agg. Data (% of #) 2000	2000		Adjusted Agg. Data (% of #) 2001	2001		2002*		Total	
		#	%		#	%	#	%	#	%
Native American	0.0	0	0.0	0.5	0	0.0	0	0.0	0	0.0
Asian	0.4	0	0.0	0.3	0	0.0	1	0.3	1	0.2
Black	2.7	0	0.0	2.6	2	1.0	3	1.0	5	0.7
Hispanic	2.7	2	1.6	2.2	0	0.0	0	0.0	2	0.3
Joint Race	0.0	0	0.0	0.0	0	0.0	1	0.3	1	0.2
Other	0.0	0	0.0	0.0	0	0.0	0	0.0	0	0.0
Total Minority	5.8	2	1.6	5.6	2	1.0	5	1.6	9	1.4
White	85.6	118	96.0	89.8	193	92.8	292	94.8	603	94.4
NA	8.6	3	2.4	4.6	13	6.2	11	3.6	27	4.2
Total	100	123	100	100	208	100	308	100	639	100

Source: HMDA LAR, HMDA Aggregate Data

Although more in line with the adjusted aggregate, the credit union's performance by percentage, is still somewhat below the aggregate. However, when compared to the 1990 census data demographics of Chicopee and Granby where the credit union has a presence, its minority application rate, by percentage, appears reasonable.

SERVICE TEST

Polish National Credit Union's performance under the service test is considered to be reasonable. Consequently, a rating of "Satisfactory" is assigned. Refer to the following.

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes Polish National Credit Union's services.

The credit union's systems for delivering retail-banking services are available to geographies and individuals of all income levels throughout its assessment area. Polish National Credit Union's officers and staff address community development needs through involvement with community organizations and local area realtors.

RETAIL BANKING SERVICES

Distribution of Branches

As indicated in the Performance Context, Polish National Credit Union operates a main office and two full service branch offices. The bank's main office is located in the Chicopee Falls section of Chicopee in a moderate-income census tract. Branch hours are considered convenient and comparable to other local institutions. All offices provide drive-up window service with extended hours.

Record of Opening and Closing Branches

Polish National Credit Union maintains a Branch Closing/Relocating Policy. The policy meets regulatory requirements concerning branch closing notices and procedures. No branches have been opened or closed since the previous examination.

Alternative Retail Banking Services

All branch offices offer 24-Hour ATM service with network access. Polish National Credit Union is a member of the SUM network of financial institutions, which do not levy surcharges to foreign ATM customers.

Polish National Credit Union offers "24 Hour Account Manager", a 24-hour program which allows members access to a voice response system to make inquiries, transfer funds between accounts, make loan payments, etc. The system provides the customer a series of options and steps to follow and is available via a toll free telephone number.

Web Site/Newsletter

Polish National Credit Union offers Internet banking through its own online service at www.pncu.com. Some of the services it provides are allowing members to check account balances, transfer funds, complete a mortgage or consumer loan application, review loan and deposit rates, and pay monthly bills, free of charge.

The credit union is in the process of developing a newsletter to be distributed, by mail, to its membership. The first edition will market Polish National Credit Union's mortgage loan and consumer loan products. In addition, the newsletter will promote a car sale, co-sponsored by a local dealership, to be held in the spring of 2003. The newsletter will also appear on the credit union's web site in the future.

Other Retail Services

Polish National Credit Union offers both a low cost checking account and savings account.

The credit union's "Cost Less NOW" checking account features no minimum balance requirements, no monthly service charges, and no check reorder charge. The credit union also offers a "Organization NOW" account that features no minimum balance requirements.

The savings account features no monthly fees and a requirement of \$25 to open (for membership purposes).

Polish National Credit Union offers a "Student Banking Program" focusing on elementary school students. A minimum deposit of \$1 opens a statement savings account that earns interest once a balance of \$10 is reached under this program. Banking days are held twice a month. This program is currently offered at the East Meadow Elementary School in Granby with 19 students participating.

Community Development Services

Polish National Credit Union's qualified community development services demonstrate a reasonable level of community development service with credit union's officers providing expertise to area organizations. Some of the organization include, but are not limited to, the following.

Independent Finance Agency (IDFA)/ Economic Development Industrial Committee (EDIC)

Polish National Credit Union's President is a member of the IDFA arm of the EDIC. The EDIC is attempting to develop the 160+/- acres located in Belchertown at the site of the former Belchertown State School. The IDFA is charged with assisting in the financing of

any project within this site including State and Federal grant money allocation as well as financing from financial institutions.

Pioneer Valley Chapter of the Credit Union League

The President also serves as a Director of this organization.

Chicopee Boys and Girls Club

Monthly, Polish National Credit Union's President serves as a "Homework Helper" at the Chicopee Boys and Girls Club.

Financial Seminars

In April 2000, Polish National Credit Union participated in a "Housing Expo" at the Chicopee Boys and Girls Club.

In the spring of 2000, 2001, and 2002, the credit union participated in the Home Builders Association of Western Massachusetts' Home Show at the "Big E" fairgrounds in West Springfield.

In October of each year Polish National Credit Union participates in the National Association of the Remodeling Industry's Home Show also held at the "Big E" fairgrounds in West Springfield.

Credit union management indicated that these home shows are the venue by which employees take the opportunity to counsel first time homebuyers on an individual, one-on-one, basis.

Annually, Polish National Credit Union is a participant in "Commerce" a business-to-business show. This show is operated by area Chambers of Commerce with a goal of expanding commerce throughout western Massachusetts.

Financial Literacy/Educational Programs

School to Work Partnership

The School to Work Partnership provides internships in Polish National Credit Union for students interested in finance to learn about banking first hand. Chicopee High School has participated in the program. One student from the high school that participated in the

partnership was subsequently hired by the credit union as a teller. Currently, a student from Western New England College is interning at the credit union.

INVESTMENTS

Polish National Credit union's investments, primarily charitable contributions, were considered for informational purposes. The overall rating did not include consideration of investments.

Charitable Contributions

Polish National Credit Union has provided contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. In some instances, these contributions were substantial, multi-year commitments.

In 2000, Polish National Credit Union granted \$6,015 in contributions that were considered qualified under the regulation. In 2001, the credit union granted \$3,814 in contributions and . In 2002, the credit union granted \$8,728 in contributions or 0.3 percent of net income for the year of \$2,778,759.

In 2002, Polish National Credit Union established a scholarship fund. This needs- based scholarship will be awarded to six students who are interested in furthering their education in a business-related field and have provided volunteer hours within the community.

Polish National Credit Union's Performance within the Springfield Metropolitan Statistical Area's (MSA).

The Springfield MSA contains 29 cities and towns. Polish National Credit Union's assessment area has 15 communities in the MSA. The credit union's penetration of the Springfield MSA constitutes 51.7 percent. Given that the majority of Polish National Credit Union's penetration in the Lending and Service Tests was within the Springfield MSA, a separate analysis of the credit union's performance under those tests within the Springfield MSA was not performed as such analysis would not be considered meaningful.

APPENDIX A

SCOPE OF EXAMINATION

As of the close of business, January 8, 2003 a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination was conducted at Polish National Credit Union's main office in Chicopee, Massachusetts. The credit union's lending products reviewed at this examination include residential mortgage loan originations/purchases and a sampling of consumer loan originations. These products were analyzed under the six major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending, Loss of Affordable Housing, and Fair Lending Practices.

In addition, Polish National Credit Union's performance under the Service Test was reviewed.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

POLISH NATIONAL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 8, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
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_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

